

**MISSOURI AGRICULTURAL AND SMALL BUSINESS  
DEVELOPMENT AUTHORITY (MASBDA)**

**QUALIFIED BEEF TAX CREDIT PROGRAM**

**Guidelines and Procedures  
Section 1**

**Legal Authorization:** Chapter 135.679 RSMo (2007 Special Session).

**A. PURPOSE OF THE PROGRAM**

Provide Missouri beef cattle farmers with an economic incentive to background and/or finish Missouri born and raised qualified beef cattle in this state.

**B. DEFINITIONS**

1. **“Agricultural property” means:** any real and personal property, including, but not limited to buildings, structures, improvements, equipment, and livestock, that is used in or is to be used in this state by residents of this state for:
  1. The operation of a farm or ranch; and
  2. Grazing, feeding, or the care of livestock.
2. **“Baseline number” means:** the average number of animals either backgrounded or finished for the past three years; used for the purpose of calculating a qualifying increase in numbers of backgrounded or finished animals.
3. **“Baseline weight” means:** The average weight, in the immediate past three (3) years, of all beef animals sold that are thirty (30) months of age or younger, categorized by sex. Except that a qualified sale or subsequent qualified sale to a harvest facility shall not be considered when calculating the baseline weight. The baseline weight, once established, will be effective for a period of three (3) years. After the three (3) year period, a new baseline will be established based on the immediate past three years.
4. **"Qualifying beef animal" means:** Any beef animal that is certified by the authority – an animal whose primary purpose is for the production of beef including dairy breed male calves, excluding those animals specific for breeding purposes AND:
  - a) that can be verified with written birth records as being born in this state after August 28, 2008, AND was:
  - b) raised and backgrounded in this state by the Missouri taxpayer; or

- c) raised, backgrounded, and finished in this state by the Missouri taxpayer;
  - i) “Raised” means from the time of birth until weaned.
  - ii) “Backgrounded” means any additional weight at the time of the first qualifying sale, before being finished, so long as the additional weight is two hundred (200) pounds or greater than the established baseline weight.
  - iii) “Finished” means the period from backgrounded to harvest.
- d) no more than thirty months of age as verified by written birth records.
- e) Qualified beef animals may be purchased versus home-raised provided they meet the requirements of the program.

5. **“Qualified sale” means:** The first time a beef animal is sold in this state after being backgrounded.

6. **“Subsequent qualified sale” shall mean:** Any sale after the first qualified sale so long as the weight is greater than the prior sale weight.

**C. ELIGIBILITY QUALIFICATIONS – CATTLE FARMER**

- 1. Any taxpayer (individual or entity) who:
  - a) Is subject to the tax imposed in Chapter 143, RSMo (excluding withholding tax imposed by sections 143.191 to 143.265, RSMo), or the tax imposed in Chapter 147, RSMo;
  - b) In the case of an individual, is a resident of this state as verified by a 911 address or in the absence of a 911 system, a physical address; and
  - c) Owns or rents agricultural property and whose principal place of business is located in Missouri.

**D. ELIGIBILITY QUALIFICATIONS – QUALIFIED BEEF ANIMAL**

Qualified beef animal must be age and source verified:

- Beef animals must be traceable to live animal production records.
- The records used to verify program requirements must meet one of the following criteria:

1. Provide proof of current status under a USDA approved Quality System Assessment (QSA) Program or a USDA approved Process Verified Program (PVP).

2. If proof of current enrollment in a USDA approved Quality System Assessment (QSA) Program or a USDA approved Process Verified Program (PVP) cannot be provided, the individual beef animal age and source verification process shall be:

a) Audit/Evaluate:

An auditor/evaluator trained and certified by the Missouri Department of Agriculture shall complete an audit/evaluation of the beef producer. The audit/evaluation shall be completed on a form provided by MASBDA and shall be certified by the auditor/evaluator that in fact:

- Beef animals have a unique individual identification;
- Records are sufficient to trace the individual animal back to farm records; and
- **Records indicate the actual date of birth of the animal and has records, that**

**along with a unique identification system, within the beef industry, can accompany each animal through each qualifying and any subsequent qualifying sale.**

b) Verification:

1. Group age verification:

- All animals within a group and born during the same birthing season must be individually identified;
- Records must indicate the actual date of birth of the first calf of the birthing season;
- The age of all calves within a group must be derived from the actual date of birth of the first calf born within the group;
- Producers who have more than one (1) calving season during a year must implement a method of identification that ensures the calves from each season are identified, traceable, and controlled;
- Producers who calve through the year must individually identify each calf and maintain individual dates of births; and
- Artificial insemination dates and bull turn-out dates may be used only as a supplementary measure to verify date of birth.

2. Live animal production records:

- Showing the actual date of birth must be supported by the producer's production practices and records; and
- Records must be retained for a period of one (1) year past when the animal would have reached thirty (30) months of age.

**NOTE: Age and source verification must be done prior to the first qualified beef animal sale. Backward verification after the sale is not permitted.**

<b>E. PARTICIPATION</b>
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**1) Cow/Calf Producers** - Those who currently sell all calves at or shortly after weaning.

a) The baseline weight will be established from the following documents:

- Copies of ALL scale tickets and/or sales receipts of all Qualified Beef Animals thirty months of age or less, sold during the immediate past three (3) years by sex.
- Year-end financial statements for each of the immediate past three (3) years or in lieu of financials, permission to review QSA or PVP records.

b) In the event the qualifying beef animal producer has fewer than three (3) years of production, then the baseline weight shall be established by the available average weight in the immediate past years of all beef animals sold that are thirty (30) months of age or younger, categorized by sex.

c) In the event the qualifying beef animal producer has no previous production, then the baseline weight shall be established by MASBDA on a regional basis based on beef animal sales reported by the Missouri Department of Agriculture, Market News Service as follows:

The state is divided into eight areas –

<u>East Central</u>	<u>Northeast</u>	<u>Northwest</u>	<u>South Central</u>
Audrain	Adair	Andrew	Camden
Boone	Carroll	Atchison	Cole
Callaway	Clark	Buchanan	Crawford
Cooper	Grundy	Caldwell	Dent
Howard	Chariton	Clay	Franklin
Lincoln	Knox	Clinton	Gasconade
Moniteau	Lewis	Daviess	Jefferson
Montgomery	Linn	Dekalb	Maries
Morgan	Livingston	Gentry	Miller
Pike	Macon	Harrison	Osage
Ralls	Marion	Holt	Phelps
St. Charles	Mercer	Nodaway	Pulaski
Warren	Monroe	Platte	St.Louis
	Putnam	Ray	Washington
	Randolph	Worth	
	Schuyler		
	Scotland		
	Shelby		
	Sullivan		
<u>Southeast</u>	<u>Southern</u>	<u>Southwest</u>	<u>West Central</u>
Bollinger	Carter	Barry	Bates
Butler	Douglas	Barton	Benton
Cape Girardeau	Howell	Christian	Cass
Dunklin	Iron	Dade	Cedar
Madison	Oregon	Dallas	Henry
Mississippi	Ozark	Greene	Hickory
New Madrid	Reynolds	Jasper	Jackson
Pemiscot	Ripley	Laclede	Johnson
Perry	Shannon	Lawrence	Lafayette
Scott	Texas	McDonald	Pettis
St. Francois		Newton	Saline
Ste. Genevieve		Polk	St.Clair
Stoddard		Stone	Vernon
Wayne		Taney	
		Webster	
		Wright	

- The baseline weight is based on the county/area of residence of the beef producer.
- The baseline is a three (3) year weighted average based on the following weight groups in each of the eight (8) areas based on the following weight groupings:
  - 200 lbs – 600 lbs
  - 601 lbs and up feeder cattle

**2) Current Backgrounders** - those who currently background some or all of the calves raised or those who purchase calves to background.

The baseline weight will be established from the following documents:

- Copies of ALL scale tickets and/or sales receipts of all Qualified Beef Animals thirty months of age or less, sold during the immediate past three (3) years by sex.

- Year-end financial statements for each of the immediate past three (3) years or in lieu of financials, permission to review QSA or PVP records.

Current qualified beef animal backgrounders may qualify for tax credits either by:

- A. Increasing the number of animals that are backgrounded based on:
- Modified baseline weight will be established by MASBDA on a regional basis of all steer and heifer calves sales reported by the Missouri Department of Agriculture, Market News Service, as noted above.
  - Baseline number will be established based on the immediate past three (3) years backgrounded beef animals sold.
  - In the event the qualifying beef animal producer has fewer than three (3) years of production, then the baseline number shall be established by the available average number in the immediate past years of all beef animals sold that are thirty (30) months of age or younger, categorized by sex.
  - In the event the qualifying beef animal producer has no previous production, then the baseline weight shall be established by MASBDA on a regional basis based on beef animal sales reported by the Missouri Department of Agriculture, Market News.
  - Tax credits will be calculated as follows: (Most recent year number of beef animal sold minus baseline number) multiplied by (qualified sale weight minus modified baseline weight) multiplied by \$.10 per pound provided the finished sale weight is two hundred (200) pounds or greater than the modified baseline weight.
- B. Putting on an additional 200 pounds or greater over your established baseline weight.

**3) Current Finishers** - Those who currently finish some or all of the calves raised or purchase cattle to finish. The baseline weight will be established from the following documents:

- Copies of ALL scale tickets and/or sales receipts of all Qualified Beef Animals thirty months of age or less, sold during the immediate past three (3) years by sex.
- Year-end financial statements for each of the immediate past three (3) years or in lieu of financials, permission to review QSA or PVP records.

Current qualified beef animal finishers may qualify for tax credits by increasing the number of animals that are finished based on:

- Modified baseline weight will be established by MASBDA on a regional basis of all backgrounded beef animal sales reported by the Missouri Department of Agriculture, Market News Service, as noted above.
- Baseline number will be established based on the immediate past three (3) years finished beef animals sold.
- In the event the qualifying beef animal producer has fewer than three (3) years of production, then the baseline number shall be established by the available average number in the immediate past years of all beef animals sold that are thirty (30) months of age or younger, categorized by sex.
- In the event the qualifying beef animal producer has no previous production, then the baseline weight shall be established by MASBDA on a regional basis based on beef animal sales reported by the Missouri Department of Agriculture,

Market News.

- Tax credits will be calculated as follows:  
(Most recent year number of beef animal sold minus baseline number)  
multiplied by (finished weight minus modified baseline weight) multiplied by  
\$.10 per pound provided the finished sale weight is two hundred (200) pounds  
or greater than the modified baseline weight.

#### **4) Retained Ownership -**

In the event a qualified beef animal producer has retained ownership of the qualified beef animal through backgrounding and/or finishing out-of-state, the baseline weight shall be established by the average in-weight at the point of destination at the time of transfer out-of-state in the immediate past three (3) years of all beef animals that are thirty (30) months of age or younger, categorized by sex, provided the backgrounding and/or finishing is now completed in Missouri.

### **F. QUALIFICATION OF ELIGIBLE QUALIFIED BEEF ANIMAL PRODUCER**

1. Application review: MASBDA will only review completed applications.
2. Any beef producer may submit a Qualified Beef Animal Tax Credits Eligibility (MO Form QBE) along with an application fee of fifty (\$50) dollars. Once qualified, the beef producer shall be considered qualified for the following two years.

### **G. ISSUANCE OF THE TAX CREDITS**

1. For all taxable years beginning on or after January 1, 2009, but ending on or before December 31, 2016 a taxpayer shall be allowed a tax credit for the first qualifying sale and or a subsequent qualifying sale of all qualifying beef animals.
2. The tax credit amount shall be ten cents (\$.10) per pound and shall be calculated as follows:
  - The qualifying sale weight minus the baseline weight multiplied by \$.10 per pound provided the sale weight is two hundred (200) pounds or greater than the baseline weight.
  - MASBDA may waive no more than twenty-five percent (25%) of the required two hundred (200) pound gain. The waiver shall be made on an individual basis and based only on any disaster declaration by the U.S. Department of Agriculture.
3. No later than March 1, of each year the qualified eligible beef producer must submit a Qualified Beef Tax Credits application for all qualified beef animals sold the previous year. A \$25 fee is required for each Missouri Form QB application submitted. Tax credits will be issued to qualified beef animal producers on or about March 31<sup>st</sup>.
4. **The tax credits will be issued on an as-received basis from qualified eligible beef producers until the fiscal year limit of \$3,000,000 is reached.** Any qualified eligible beef producer not receiving an eligible tax credit will be placed on a waiting list. Their tax credit will be issued as credits become available.
5. Any beef producer submitting a Qualified Beef Tax Credit application (MO Form QB) after

the March 1<sup>st</sup> deadline shall only be eligible for tax credits if all \$3,000,000 are not issued.

6. Any tax credits not issued in any fiscal year shall expire and shall not be issued in any subsequent years.

## **H. LIMITATIONS OF THE TAX CREDITS**

1. \$3,000,000 in Qualified Beef Tax Credits are available per fiscal year (July 1 – June 30).
2. Revocation or Repayment of Tax Credits: MASBDA may recapture, in full or part, the value of any credits issued to a qualified beef animal producer if any representation made by the applicant to MASBDA proves to have been false when made. Any qualified beef animal producer making a fraudulent claim shall be subject to penalties of perjury. Liability for repayment or recoupment of tax credits for any misrepresentation remains with the original tax credit owner.
3. The amount of tax credit claimed shall not exceed the amount of the taxpayer's state tax liability due under Chapters 143 and 147 RSMo, excluding withholding tax imposed by section 143.191 to 143.265 RSMo, for the taxable year for which the credit is claimed. The tax credit is not refundable.
4. The tax credit shall be claimed in the taxable year in which the qualifying sale of the qualifying beef animal occurred. Any amount that cannot be used may be carried forward to any of the taxpayer's five (5) subsequent taxable years and carried backward to any of the taxpayer's three (3) previous taxable years.
5. Tax credits may be assigned, transferred, sold or otherwise conveyed. If a tax credit is assigned, transferred, sold or otherwise conveyed, a notarized endorsement shall be filed with MASBDA specifying the name and address of the new owner, in which case the new owner shall have the same rights in the tax credits as the original owner.

## **I. RECORDS, AUDIT, AND ACCOUNTABILITY**

1. The Authority is authorized by Section 135.679 RSMo, to keep the information provided under this section confidential and shared with no one except state and federal animal health officials, and shall not be disclosed except by court order, subpoena or as otherwise provided by law.
2. Audit: The Authority reserves the right to audit any approved qualified beef producer's production records to ensure compliance with program requirements.
3. Records maintenance: The qualified beef producers must retain all documentation related to the birth, raising, backgrounding, and finishing for a period of one (1) year past when the qualified beef animal would have reached thirty (30) months of age.
4. Additional Information: The Authority reserves the right to request additional information from the qualified beef animal producer to document or clarify items submitted in the application.
5. Tax Credit Accountability Act: A recipient (eligible producer member) of an agricultural tax

credit shall annually, for a period of three years following issuance of tax credits, provide to the Missouri Agricultural and Small Business Development Authority information confirming:

- a) type of agricultural commodity,
- b) amount of investment,
- c) type of equipment purchased, and
- d) name and description of the facility
- e) actual number of permanent full-time, permanent part-time, and seasonal part-time for each month of the preceding twelve (12) month period.

The reporting requirements established in this section shall be due annually on June 30th of each year. No person or entity shall be required to make an annual report until at least one year after the credit issuance date.

After credits have been issued, any failure to meet the annual reporting requirements established in section 135.805 or any determination of fraud in the application process shall result in penalties as follows:

- a) Failure to report for more than six months but less than one year shall result in a penalty equal to two percent of the value of the credits issued for each month of delinquency during such time period;
- b) Failure to report for more than one year shall result in a penalty equal to ten percent of the value of the credits issued for each month of delinquency during such time period up to one hundred percent of the value of the credit issued is assessed by way of penalty;
- c) Fraud in the application process shall result in a penalty equal to one hundred percent of the credits issued. No taxpayer shall be deemed to have committed fraud in the application process for any credit unless such conclusion has been reached by a court of competent jurisdiction or the administrative hearing commission.

Penalties shall remain the liability of the person or entity obligated to complete the annual reporting, without regard to any transfer of the credits.

## **J. SUBMISSION OF INFORMATION**

**For further information regarding this and other financing sources contact:**

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P.O. Box 630  
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